

# **PRESS RELEASE**

Vermont Public Service Board • 112 State Street • Montpelier, VT 05620-2701

FOR IMMEDIATE RELEASE

## **VERMONT PUBLIC SERVICE BOARD DENIES FAIRPOINT PETITION TO ACQUIRE VERIZON; INVITES REVISED REQUEST**

Montpelier, Vermont — December 21, 2007

Today, the Vermont Public Service Board ("Board") denies the petition by FairPoint Communications, Inc. to acquire the wireline local-exchange and long-distance businesses of Verizon in Vermont. The Board found that FairPoint had not demonstrated that it would be financially sound as it seeks to operate the newly-acquired territories in Vermont, Maine and New Hampshire — a service territory that has five times the number of access lines as FairPoint presently has. However, the Board also explained that except for the financial risks associated with the transaction, it could approve the merger, subject to a series of conditions.

Verizon is the dominant telephone company in Vermont, serving about 85 percent of the land telephone lines in Vermont. The Board found that FairPoint's replacement of Verizon in serving most Vermont residents offered a number of potential benefits. These included:

- improved service quality;
- expansion of broadband coverage to reach over 80 percent of Verizon's current customers, along with faster speeds than Verizon offers;
- a commitment to make adequate investment in the infrastructure;
- expanded service offerings; and
- the presence of a company whose major interest is providing wireline telecommunications service in Vermont and the other northern New England states.

The Board also compared FairPoint's expected services to those now offered by Verizon; the Board observed that Verizon "has made clear that it is less interested in operating a wireline telecommunications company in rural areas." The Board cited a number of instances in which Verizon's new focus has left Vermont customers with poorer service quality and delayed access to broadband services.

The primary concern raised by the Board was the adequacy of FairPoint's financial resources. FairPoint will borrow \$2.5 billion to acquire the Verizon assets in Northern New England. This debt service combined with the Board's analysis of the company's projections of both future operating costs and future revenue totals raised concerns that there could be significant financial pressure on FairPoint. The Company either by choice or by necessity to meet debt obligations may need to reduce operating expenses, slow expansion of broadband and other services, and reduce investment, all of which would adversely affect Vermont consumers.

The Board stated that it was open to FairPoint submitting revisions that addressed its financial concerns. The Board required FairPoint to demonstrate in such a proposal that the operating company would continue to have sufficient funds to meet operating expenses and capital requirements even if various risks that it identified were realized. In addition to the concerns about financial stability, the Order also set out a number of conditions that FairPoint would have to meet if it still wants to acquire Verizon.

Significantly, the Board noted that its review did not consider a recent settlement in Maine that had the effect of lowering the purchase price of the merger. No party, including FairPoint or Verizon, asked that this be placed into evidence, so the Board could not legally consider it. FairPoint also requested that the Board issue its decision without considering the settlement in Maine.

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